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MOYES SELLERS & HENDRICKS LTD. RECEIVED

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2011 SEP 21 P 4: 48

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission
DOCKETED

SEP 21 2011

GARY PIERCE, CHAIRMAN

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

BRENDA BURNS

DOCKETED BY
ADSS

IN THE MATTER OF THE APPLICATION
OF CERBAT WATER COMPANY FOR
APPROVAL OF A RATE INCREASE

Docket No. W-02391A-10-0218

IN THE MATTER OF STAFF'S REQUEST
FOR COMMISSION ISSUANCE OF AN
ORDER TO SHOW CAUSE FOR THE
FAILURE OF CERBAT WATER COMPANY
TO COMPLY WITH COMMISSION RULES
AND REGULATIONS

Docket No. W-02391A-11-0166

IN THE MATTER OF THE APPLICATION
OF CERBAT WATER COMPANY FOR
AUTHORITY TO INCUR LONG-TERM
DEBT

Docket No. W-02391A-11-0309

COMMENTS TO STAFF REPORT

Cerbat Water Company ("Company" or "Cerbat"), hereby files its comments to
the Staff Report.

1 **Preliminary Statement**

2 In January 2011, the Company sought a loan from WIFA in the amount of
3 \$534,710. The Company's finance application in this matter asked for authority to incur
4 such debt, but due to changed circumstances, the use of the proposed loan proceeds
5 changed. For example, the WIFA application seeks \$335,710 to acquire the well, but
6 earlier this year the well was transferred to the Company along with the debts owed to
7 vendors for repairing the well. Accordingly, the Company is now requesting that the
8 Arizona Corporation Commission ("Commission") grant the Company authority to incur
9 debt for the following: (1) use loan proceeds to pay for the debt associated with the well
10 repairs; (2) drill a new well so the Company will have two water production wells; and
11 (3) improve the booster station, connect the 100,000 gallon water storage tank and make
12 all necessary electric component improvements.
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17 **Well Repairs**

18 As explained numerous times to Staff, the Company proposes to use the WIFA
19 loan proceeds to pay the vendors who repaired the existing well. The Company has
20 spoken to WIFA and WIFA's rules allow for the Company to use the loan proceeds to
21 pay the vendors for repairs. The Commission has already approved a \$12.52 per month
22 surcharge to pay for \$119,444 of repairs.¹ When the Company submitted its application
23 to WIFA, it expressly requested that it sought to "obtain a WIFA loan to pay for the
24 repairs to the well (cost \$110,000)". Drinking Water Application, p. 1, § 2.4.
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1 Staff's statement that the vendors are "fully aware and agreeable to the
2 Commission approved surcharge that results in repayment of their past due invoices over
3 a period of three years" is not accurate. Two vendors, Empire Pump and Gilbert Pump,
4 have filed lawsuits for immediate payment. Defending these lawsuits is costing Cerbat
5 more money. The Company would like to pay the vendors so the lawsuits, and the
6 associated costs, are resolved.
7

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9 The Company is asking the Commission to authorize additional debt to pay for the
10 well repairs that have occurred after the WIFA loan application was filed. Since then, the
11 Company has had to address two other well failures that required substantial repairs. The
12 vendor who repaired the well was the Weber Group, LC ("Weber"). Knowing Cerbat's
13 financial constraints, as well as the need for repairs so the customers could continue to
14 receive water, Weber spoke to Staff prior to performing any work and apparently
15 discussed with Staff the concept of receiving payment from the WIFA proceeds. It is the
16 Company's understanding that Weber believed it would be paid through WIFA proceeds;
17 otherwise, it would not have done the work. The Weber invoices amount to \$67,202.69.
18
19 See Attachment 1.
20
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22 Cerbat's position is that Weber should be commended and paid if full as soon as
23 possible. Cerbat is willing to assume the responsibility of long-term debt to pay Weber
24 and the other vendors who made the well repairs. The total amount Cerbat owes vendors
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28 ¹ This amount may include some amount of debt owed by the Company to the electric provider for
electric service. While WIFA funds could be used to pay for the electric improvements needed to repair
the well, such funds cannot be used to pay for electric service.

1 is approximately \$186,646.69.² Cerbat does not make enough money to pay this debt
2 anytime soon. The Company asserts it is in the public's best interest to pay this debt over
3 the next 20 years rather than try and pay it over the next three months or three years,
4 which is impossible, and undoubtedly will lead to more litigation as the vendors seek
5 debt collection in a timely fashion.
6

7 **New Well**

8
9 The Company agrees with Staff that the proposed new well is appropriate.
10 However, the Company does not believe that \$131,000 is enough money to drill and
11 equip the well because the Company's estimates add up to \$171,319. In the financing
12 application, the Company stated "the plant to be acquired includes a new well and related
13 pumping and electrical equipment." See Finance Application at p. 3, § 5. The Company
14 believes the estimate of \$171,319 is reasonable, but it should not be a limit, because
15 estimates are not actual costs, and the actual cost could exceed \$171,319. Moreover, this
16 estimate was part of an overall request and did not take into account all soft costs, such as
17 hydrology, inspections, geotechnical, surveying, etc. Moreover, the Company disagrees
18 with Staff's use of the estimate of a 6" well to determine the costs the Company will
19 incur to drill an 8" well. Accordingly, the Company believes that the Commission should
20 authorize Cerbat to incur debt for the new well and booster improvements not to exceed
21 \$200,000 (excluding the well repairs).
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² The Company has made a payment to vendors from the surcharge.

1 **Booster Improvement**


2 The booster improvement is essential to having the system operate effectively.
3
4 Unless the Company makes the booster improvements, which ADEQ has recommended,
5 the Company will have significantly higher electric service costs and booster pump
6 repairs will be needed continuously. The reason is that the existing booster has a 400
7 gpm pump and the new well will have a pump approximately 1/4 that size. This is the
8 reason the Company is proposing to connect 100,000 gallon water storage tank and
9 enclose the booster motors. These improvements would fall within the \$200,000 worth
10 of improvements requested.
11

12
13 **Conclusion and Action Requested**

14 In sum, the Company believes that it can make the necessary improvements and
15 pay the vendors owed with a WIFA loan for \$386,646.69. This would be in the public
16 interest because the vendors would receive payment soon and the debt would be paid
17 over a 20 year period. Further, allowing the Company to incur \$200,000 of debt to drill a
18 new 8" well and make the related improvements to the booster pump, electric plant, and
19 storage tank to allow the system to operate more efficiently with redundant water
20 supplies and additional storage is in the public interest.
21

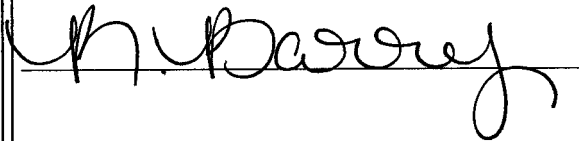
22
23 DATED this 21st day of September, 2011.
24

25 **MOYES SELLERS & HENDRICKS LTD.**

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27 
28 Steve Wene

1 **Original** and **13** copies filed this
2 21st day of September, 2011, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 
8
9

Attachment 1

Weber Group, L.C.

Invoice 0009711-IN

Page: Page 1 of 1

Sold To: CERBAT WATER COMPANY
ATTN: ACCOUNTS PAYABLE
7219 W. SAHARA
SUITE 102
LAS VEGAS, NV 89117

Date: 6/8/2011
Job Number: 2011-152
Completion Date: FINAL
Salesperson: MIKE MULLIN
Terms: NET 30 DAYS
Customer P.O.: SIGNED QUOTES
Sales Tax Code: AZ MOHKM

Description: KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
KINGMAN WELL PER QUOTATION SIGNED ON 05-27-11 AND QUOTATION SIGNED ON 06-02-11.				
MOBILIZE/DEMOBILIZE CRANE TRUCK, PUMP RIG, AND THREE MEN.	TX	1.00	3,000.00	3,000.00
PULL TURBINE PUMP FROM 900' AND 8" COLUMN PIPE - HRS. INCLUDES PER DIEM FOR THREE-MAN CREW FOR TWO NIGHTS.	TX	22.00	400.00	8,800.00
INSTALL PUMP TO 900' - HRS. INCLUDES TWO NIGHTS OF PER DIEM.	TX	18.50	400.00	7,400.00
CHANGE ORDER FOR PIPE AND SHIPPING: PICKUP & FIFTH WHEEL TRAILER - HRS. TRANSPORT PIPE FROM CHANDLER YARD TO KINGMAN SITE. INCLUDES LOADING AND UNLOADING.	TX	10.50	90.00	945.00
MATERIALS - NONTAXABLE	NT	1.00	1,258.05	1,258.05
MATERIALS - TAXABLE 3 - 8" x .277 WALL x 20' T & C TAPER THREAD COLUMN PIPE @ 1,806.00	TX	1.00	547.95	547.95
FUEL SURCHARGE	TX	1.00	768.29	768.29

Net Invoice: 22,719.29

Sales Tax: 1,234.67

Invoice Total: 23,953.96

16825 South Weber Drive * Chandler, Arizona 85226-4112 * Office (480) 961-1141 * Fax (480) 961-0290 * KA #146267, KB-01 #146265, L-11 #146266

Sold To: CERBAT WATER COMPANY
ATTN: ACCOUNTS PAYABLE
7219 W. SAHARA
SUITE 120
LAS VEGAS, NV 89117

Date: 8/18/2011
Job Number: 2011-234
Completion Date: FINAL
Salesperson: MIKE MULLIN
Terms: NET 30 DAYS
Customer P.O. SIGNED QUOTE
Sales Tax Code: AZ MOHKM

Description: CERBAT KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
CERBAT KINGMAN WELL PER SIGNED QUOTE.				
LABOR:				
MOBILIZE/DEMOBILIZE THREE MEN, CRANE TRUCK, AND PUMP RIG.	TX	1.00	3,000.00	3,000.00
PULL TURBINE PUMP FROM 900' 8" COLUMN PIPE - HRS. INCLUDES PER DIEM FOR THREE-MAN CREW FOR TWO NIGHTS.	TX	26.50	400.00	10,600.00
MACHINE WORK NEEDED ON SUNDAY, 08-07-11. WORK WAS DONE BY LARON - KINGMAN, ARIZONA.	TX	1.00	1,360.00	1,360.00
CUSTOMER ASKED WEBER GROUP TO HAVE OUR ELECTRICAL CONTRACTOR COME TO THE SITE TO TROUBLESHOOT THE CONTROL PANEL. HYDRO CONTROLS RESPONDED ON 08-08-11. THEY FOUND THE SOFT STARTER PANEL WAS NOT WIRED PROPERLY TO RUN A WELL AND COULD HAVE CAUSED ADDITIONAL DAMAGE. ALL OF THE WIRING WAS PULLED AND REWIRED. THE CONTROLS WERE WIRED TO BE ABLE TO USE THE STOP/START BUTTON, AND A BACKSPIN TIMER WAS INSTALLED IN THE CIRCUIT FOR ADDITIONAL PROTECTION.	TX	1.00	1,148.57	1,148.57
PICKUP AND FIFTH WHEEL TRAILER-HRS. LOAD COLUMN PIPE IN CHANDLER, TRANSPORT REPLACEMENT COLUMN PIPE TO KINGMAN SITE, AND RETURN TO CHANDLER YARD.	TX	12.00	90.00	1,080.00

Continued

Weber Group, L.C.

Invoice 0009939-IN

Page: Page 2 of 2

Sold To: CERBAT WATER COMPANY
ATTN: ACCOUNTS PAYABLE
7219 W. SAHARA
SUITE 120
LAS VEGAS, NV 89117

Date: 8/18/2011
Job Number: 2011-234
Completion Date: FINAL
Salesperson: MIKE MULLIN
Terms: NET 30 DAYS
Customer P.O.: SIGNED QUOTE
Sales Tax Code: AZ MOHKM

Description: CERBAT KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
INSTALL PUMP TO 900' - HRS. INCLUDES TWO NIGHTS PER DIEM.	TX	25.00	400.00	10,000.00
2 MEN ON STANDBY ON MONDAY, 08-08-11 - HRS.	TX	8.00	120.00	960.00
2 MEN ON STANDBY ON TUESDAY, 08-09-11, AND DRIVE HOME - HRS.	TX	11.00	120.00	1,320.00
ADDITIONAL PER DIEM TWO NIGHTS @ 200.00/NIGHT.	TX	2.00	200.00	400.00
MATERIALS - NONTAXABLE	NT	1.00	7,646.95	7,646.95
MATERIALS - TAXABLE	TX	1.00	2,593.20	2,593.20
15 - 8" x .277 x 20' T & C COLUMN PIPE @ 9,780.00 1 - TOP END PARTS INCLUDING: HEADSHAFT NUT, TUBE, AND NEW HEADSHAFT @ 460.15				
FUEL SURCHARGE	TX	1.00	1,203.26	1,203.26

Net Invoice: 41,311.98

Sales Tax: 1,936.75

Invoice Total: 43,248.73